VZCZCXRO5599
RR RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHRB #1860/01 3531208
ZNR UUUUU ZZH
R 191208Z DEC 07
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 7908
INFO RUEHCL/AMCONSUL CASABLANCA 3764
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUEHEE/ARAB LEAGUE COLLECTIVE
RUEHLO/AMEMBASSY LONDON 3471
RUEHFR/AMEMBASSY PARIS 4870
RUEHNK/AMEMBASSY NOUAKCHOTT 3620

UNCLAS SECTION 01 OF 02 RABAT 001860

SIPDIS

DEPT FOR NEA/MAG
STATE PLEASE PASS TO USTR (BURKHEAD)

SIPDIS

E.O.12958: N/A
TAGS: ECON ETRD EAIR EAGR MO
SUBJECT: ECONOMIC HIGHLIGHTS NOV-DEC 2007

¶1. Included in this round up: Royal Air Maroc loses control of Air Senegal. Moroccan trade deficit continues to grow. Timely rains usher-in the planting season. Casablanca remains plagued by inefficiencies. Moroccans don't need a visa to visit TGI Friday's.

---------------------------------------------- -------
SENEGALESE GOVERNMENT RETAKES CONTROL OF AIR SENEGAL
---------------------------------------------- -------

¶2. Majority ownership of Air Senegal International (ASI) by Royal Air Maroc (RAM) appears to have come to an end following a November 5 Senegalese government announcement that it had retaken control of its national carrier. RAM had held a 51 percent ownership in ASI since ASI's formation in 2001, but the relationship soured in recent years due to ASI financial losses. Under the new arrangement, the Senegalese government will hold a 75 percent share of the Senegalese carrier, leaving RAM with 25 percent. RAM officials have been tight-lipped about the reversal, but in a press release the company said it had made several attempts to restructure the Senegalese air-carrier, including an infusion of over USD 18 million in 2006 that was part of an overall financial recovery plan intended to reduce labor and overhead costs while making the carrier compliant with international safety standards. Senegalese press reports, however, allege bad faith management on RAM's part, including unfair competition for the region's most profitable routes. Despite the setback, RAM insists that its African operations will remain a cornerstone of its ambitious expansion plans.

----------------------------------
GOOD NEWS ABOUT THE TRADE DEFICIT?
----------------------------------

¶3. Government officials have sought to dampen concern over Morocco's widening trade deficit by arguing it results largely from import of capital goods and equipment that will lead to future Moroccan economic growth. According to the most recent Moroccan figures, the country's trade deficit for Jan-Oct 2007 increased 33 percent from 2006, reaching USD 14.0 billion. Imports rose 19.5 percent, to USD 26.4 billion, while exports rose 7.3 percent, to USD 12.4 billion. In an interview with Morocco's leading economic journal, Finance Minister Mezouar pointed out that imports of industrial equipment totaled USD 5.8 billion (22 percent of all imports), while semi-finished products were the largest import category at USD 6.1 billion (23.1 percent of all imports). The two segments together comprised 85 percent of the trade deficit.

¶4. Officials also take comfort from the fact that tourism receipts and remittances from Moroccans abroad both increased, and continued

to offset the bulk of the trade deficit. Tourism receipts rose 14 percent to USD 6.3 billion, while remittances increased 18 percent to USD 5.9 billion. Together, the two nearly equaled the value of all exports (USD 12.2 vs 12.4 billion).

-------------------------------------
NOVEMBER RAINS PROMPT CEREAL PLANTING
-------------------------------------

¶5. After a prolonged dry spell, mid-November rains ushered in the cereal planting season, sparking hope for an end to the 2007 drought that produced a harvest 66 percent below average. Through the third week in November, the planted area of cereals totaled 1.1 million hectares, about on par with last year's pace, but 31 percent below the five-year average. Although crops have benefited from cooler temperatures and reduced evaporation, additional rains through the winter months will be needed for the crops to meet their potential.

¶6. The drought's effects were apparent in the Jan-Oct 2007 figures for cereal imports. Compared to 2006, cereal (wheat, corn, and barley) imports more than doubled to reach USD 1.4 billion. Wheat imports increased to 2.95 million tons, compared to 1.56 million tons in 2006.

-------------------------
CASA PORT REMAINS SNARLED
-------------------------

¶7. A year after implementation of a milestone port reform law, inefficiencies and congestion continue to plague Casablanca port. The 2006 law sought to increase efficiency and competitiveness by dividing the Ports Authority (ODEP) into two entities: a National Ports Agency (ANP), responsible for regulatory control and port



authority; and a Port Management Company (SODEP), a new entity responsible for commercial services and port handling. From the beginning, the Stevedores (longshoremen) opposed the reform over fears of job security and government pension entitlement.

¶8. During the summer of 2007, the brewing labor issues were overshadowed by a congestion crisis that temporarily crippled Moroccan exports. Government and port officials blamed the congestion on an unexpected increase of imports (container traffic is up 20 percent this year), aggravated by the drought, and an overabundance of containers left in storage within the port. Critics of the reform law cited other problems, including corruption, labor unrest, and poor infrastructure. Whatever the cause, ships were delayed for up to 14 days and the port literally ran out of space to store additional containers. To solve the crisis, offloading and transportation of containers from the port were increased to a 24/7 basis and additional container storage space was procured.

¶9. In an acknowledgement that the systemic problems at Casa port remain, Transport Minister Karim Ghellab recently announced a series of additional measures aimed at increasing efficiency. Included in the measures were the installation of a new container tracking system and increased spending on ground infrastructure to increase container throughput. To help alleviate the load at Casablanca, the government is also pushing for a summer 2008 opening of the domestic container terminal at Tangier Med, with construction already underway for an additional terminal.

--------------------------
TGI FRIDAY'S SELLS AMERICA
--------------------------

¶10. With a slogan, "You don't need a visa to visit Friday's," the first TGI Friday's restaurant in Morocco will be launched in Rabat at the end of the month with a gala opening involving the Ambassador and the King's brother, Prince Moulay Rachid. Representing a USD 3 million investment, the Rabat restaurant will seat 600 diners, and will be followed by similar restaurants in Casablanca and Marrakech. According to the franchise owner, Friday's marketing plan in

Morocco is to sell America while keeping productivity at an American level and charging American prices. Comparing his experience to the U.S., the owner notes labor costs in Morocco represent only 12 percent of total expenses, compared to 33 percent in the U.S. Additionally, he said his team has been thrilled with the number of qualified employment applicants they have gotten-- six for each position, even with a requirement that applicants speak English. The company expects to generate USD 4-5 million annually from the Rabat franchise, compared to USD 1 million for the typical U.S. franchise.

JACKSON